

Commonwealth of Massachusetts
State Treasurer & Receiver General Timothy P. Cahill
Debt Management Department



Request for Proposals
SWAP PORTFOLIO MONITORING SERVICES

March 16, 2009

KEY INFORMATION SUMMARY SHEET

Commonwealth of Massachusetts State Treasurer's Office
Debt Management Department
Request for Proposals
For Swap Portfolio Monitoring Services

Procurement Officer:	Colin MacNaught Tel.: (617) 367-9333 x 226 Fax: (617) 227-1773 Email: cmacnaught@tre.state.ma.us
Submit Proposals to:	State Treasurer's Office Attn: Colin MacNaught One Ashburton Place, 12th Floor Boston, MA 02108-1608
RFP Issue Date:	March 16, 2009
Deadline for Receipt of Questions:	March 20, 2009 @ 3:00 p.m. (E.D.T.)
Responses Due Date:	March 30, 2009 @ 12:00 p.m. (E.D.T.)
Anticipated Award Date:	April 10, 2009*

* Preliminary estimate and is subject to change.

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REQUEST FOR PROPOSALS FOR SWAP PORTFOLIO MONITORING SERVICES

The Debt Management Department of the Office of Timothy P. Cahill, Treasurer and Receiver-General of the Commonwealth of Massachusetts, is soliciting responses and statements of qualifications from qualified financial advisory firms interested in providing interest rate swap portfolio monitoring services to the Commonwealth of Massachusetts commencing April 2009. Responses are due by 12:00 p.m. (E.D.T.), on Monday, March 30, 2009. Each firm's response should demonstrate its qualifications for the swap monitoring services being solicited by the State Treasurer's Office (STO) by answering all of the questions outlined below and providing any and all information requested, including samples of similar services provided to other municipal issuers.

The firm selected pursuant to this Request For Proposals (RFP) will be required to provide the STO with interest rate swap mark-to-market valuations; timely and accurate swap counterparty credit ratings; detailed reports analyzing changes in market rates and indices, and how market changes are affecting the mark-to-market valuations; and other monitoring services for the Commonwealth's existing portfolio of interest rate swap agreements, as well as any additional swap agreements that may be entered into during the term of the engagement.

SECTION I. GUIDELINES FOR REQUEST FOR PROPOSALS

1.1 Description of Request for Proposals (RFP)

Timothy P. Cahill, Treasurer and Receiver-General of the Commonwealth of Massachusetts, requests responses and a statement of qualification from those financial advisory firms interested in providing interest rate swap portfolio monitoring services (Swap Monitoring Services) to the Commonwealth subsequent to the completion of the RFP process. The STO will be selecting a firm to provide Swap Monitoring Services as part of the RFP process for a term of one (1) year with the option by the STO, in its sole discretion, to renew for two (2) additional terms of one (1) year each (preliminary and subject to change). Firms responding to the RFP are required to prepare and submit their response and statement of qualifications in accordance with the directions contained in this document.

1.2 RFP Schedule of Events

The STO has established the following schedule for selection of a firm to provide Swap Monitoring Services:

RFP Calendar:

<u>Target Date</u>	<u>Event</u>
March 16, 2009	Issuance of RFP by STO
March 20, 2009 @ 3 PM (EDT)	Deadline for Receipt of Questions to STO
March 30, 2009 @ 12 PM (EDT)	Deadline for Submission of Responses to RFP
April 10, 2009	Completion of Evaluation (subject to change)

The above schedule is subject to change upon notice from the STO. Schedule changes and/or other RFP revisions, including date, time and place changes, if any, will be e-mailed to respondents who have notified the STO of their intention to respond (please see **Section 1.3 part A.**).

Any questions regarding this RFP or the selection process may only be made via email to Colin MacNaught, Assistant Treasurer for Debt Management at cmacnaught@tre.state.ma.us (please see **Section 1.3 part B.**), who is the procurement officer for this RFP. No firm submitting a proposal may make any inquiries with respect to this RFP to any other employee or agent of the STO, the Executive Office for Administration & Finance, or any other state agency official until a final selection has been determined. Failure to adhere to this provision may result in disqualification.

1.3 Submittal Requirements

A. Notification of Intent to Respond:

If intending to respond to this RFP, please immediately send the (i) Firm Name, and (ii) Name, E-Mail Address and Telephone Number of the person preparing the response to the following email address: cmacnaught@tre.state.ma.us. The subject header of the email message should read: “**Notice of Intent to Respond to Commonwealth Swap Monitoring RFP**”. While not required, providing this information allows the STO to distribute additional information, if any, to potential respondents. Any individual or firm who received this document from a source other than from the STO or the STO’s website should immediately contact the STO according to the email procedure outlined above. Any prospective respondent who fails to notify the STO of their intention to respond assumes complete responsibility in the event that they do not receive amendments to the RFP or other communications, if any, from the STO prior to the closing date of the RFP.

B. Responses to RFP:

Written responses to this RFP must be received no later than 12:00 P.M. E.D.T., Monday, March 30, 2009, in sealed envelopes or other package(s) marked “**Commonwealth of Massachusetts RFP for Swap Portfolio Monitoring Services**”, at the following address:

**State Treasurer’s Office
Attn: Colin MacNaught
One Ashburton Place, 12th Floor
Boston, MA 02108-1608**

1.4 Submitting the Responses to the Swap Portfolio Monitoring RFP

Please submit four (4) left-side bound originals, and one (1) unbound copy, in a form suitable for photocopying, of all materials representing your firm’s response and statement of qualifications. The front cover of said response should include the firm’s name, proposal title of “**Commonwealth of Massachusetts RFP for Swap Portfolio Monitoring Services**”, and due date. Responses to the RFP may not exceed ten (10), one-sided, 8 ½ x 11 inch pages. Each firm’s proposal should be printed in 10 pt. type or larger with reasonable margins. The aforementioned page limit excludes a transmittal letter, appendices and attachments. Each response shall be accompanied by a signed transmittal letter, no longer than a single page, setting forth the pertinent aspects of the firm’s response and statement of qualifications. Proposals should be formatted and tabbed in the exact form and sequence as in this RFP. Additional information, if any, should be added at the end of the response and appendices under its own

tab(s). When answering specific questions from the RFP, each question should be restated immediately before the response to that question. Spiral binding is preferred and the use of ringed binders is discouraged.

Respondents should allow sufficient mail and internal delivery time to ensure timely receipt at the STO. Any response and/or unsolicited amendments to the RFP arriving after the closing date and time specified in **Section 1.2** will not be considered. Responses may not be submitted by facsimile or email. Respondents may provide an additional copy of their response and statement of qualifications by email or on a compact disk if they so choose, but this will not satisfy the submission procedures outlined above, including the submission deadline.

1.5 STO Terms & Conditions

- i. The STO is not required by law to conduct this RFP and reserves the right to cancel or withdraw it at any time and for any reason.
- ii. The expectations, plans, and requests expressed in this RFP are not to be considered a commitment or contract in any way.
- iii. The STO reserves the right to suspend or terminate any subsequent services in whole or in part with or without cause.
- iv. Responses to the RFP may not be submitted by facsimile or e-mail.
- v. Responses to the RFP delivered after the specified time and date will not be considered.
- vi. The STO reserves the right to request additional information or clarification of information from firms responding to this RFP and to effect any agreement deemed by the STO to be in the Commonwealth's best interest with one or more of the firms responding. Additionally, while not anticipated at this time, upon reviewing the responses and statements of qualifications, the STO reserves the right to have certain firms make oral presentations.
- vii. By submitting a proposal, respondents accept in all respects the conditions of this RFP, including that all responses will become the property of the STO and will not be returned.
- viii. All materials submitted by respondents will be subject to the public records law of the Commonwealth of Massachusetts after the notice of intent to award or not to award is announced. This information will be available for public inspection at the STO. No response submitted to the STO can be marked as confidential, and any material so marked will be considered public record, pursuant to Massachusetts law.
- ix. The STO is not liable for any costs incurred by respondents, including, without limitation, costs related to the preparation of a response or oral interviews, if required.
- x. A firm may withdraw and resubmit a response to the RFP prior to the deadline. However, no withdrawals or re-submissions will be allowed after the deadline.
- xi. The STO reserves the right to negotiate the terms of the responses with the selected respondent prior to commencing services. If negotiations cannot be concluded successfully with any selected respondent(s), the STO may negotiate with the other respondents.

- xii. The STO reserves the right to accept or reject any or all responses to the RFP, waive minor informalities, irregularities, or non-conformities, and to accept only the most qualified response in the judgment of the STO. The determination of whether an RFP condition is substantive or an informality shall reside solely with the STO. Any response deemed by the STO to be unresponsive to the RFP requirements or that fails to fully disclose requested information may, in the STO's sole discretion, be rejected.
- xiii. Joint responses will not be accepted. Multiple responses will also not be accepted.

SECTION II. MISCELLANEOUS INFORMATION ON THE RFP

2.1 Award of RFP to Serve as Swap Monitor

The STO will select a firm to provide Swap Monitoring Services (the "Swap Monitor") whose response to the RFP is deemed to provide the most beneficial services to the Commonwealth. This determination will be at the sole discretion of the STO. It will be based primarily upon a firm's qualifications, experience and expertise in swap monitoring; quality of reports; availability of real-time valuations; costs; references and customer service; quality and completeness of RFP response; and other factors considered relevant by the STO.

2.2 Term of Selection

The STO is seeking a qualified firm to provide Swap Portfolio Monitoring services for existing and future interest rate swap agreements entered into by the Commonwealth. The STO expects to utilize the services of the firm selected as Swap Monitor pursuant to this RFP for a term of one (1) year with the option by the STO, in its sole discretion, to renew for two (2) additional terms of one (1) year each (preliminary and subject to change). The STO reserves the right to use other firms for Swap Monitoring Services from time-to-time on a case-by-case basis.

2.3 News Releases

News releases pertaining to the RFP or any part of the RFP shall not be made without prior written approval of the STO.

2.4 Participation of Minority-Owned & Women-Owned Businesses

The STO is committed to diversity and equal employment opportunities among its contractors, including those providing Swap Monitoring Services. The STO encourages all firms, including firms that are minority-owned or women-owned, to submit responses to the RFP.

2.5 Questions and Inquiries

All questions and inquiries should be directed in writing to Colin MacNaught, Assistant Treasurer for Debt Management at cmacnaught@tre.state.ma.us, procurement officer for this RFP (see **Section 1.3 part B.**). Questions must be submitted via e-mail and received before 3:00 p.m. E.D.T. on Friday, March 20, 2009. Oral questions will not be permitted. If the questions or inquiries pertain to a specific section of the RFP, the page and section number(s) must be referenced. No other employee of the STO or agents of

the STO should be contacted until the RFP process has concluded and firms have been notified of their award or non-award.

2.6 Acceptance of Terms and Conditions

By submitting a proposal in response to this RFP, the respondent accepts all of the terms and conditions set forth in this RFP.

SECTION III. SCOPE OF SERVICES AND REQUIREMENTS

3.1 Purpose and Intent

The STO seeks to engage a firm as Swap Monitor to the STO related to interest rate swap agreements which have been and may be entered into by the STO in connection with the issuance of Commonwealth of Massachusetts general obligation and special obligation bonds. These interest rate swap agreements, commonly referred to as “swaps”, have been entered into in order to effectively manage the Commonwealth’s interest rate risk and to lower its borrowing costs. A description of the Commonwealth’s current swap portfolio is included as **Attachment A**.

The Swap Monitor will be required to provide valuations, reporting and other “monitoring” services as described below on any matters relating to the Commonwealth’s existing portfolio of swaps as well as any additional swaps that may be entered into during the term of the engagement.

Firms are invited to submit a response and statement of qualification in response to this RFP, for review by the STO, to perform the requested services. Firms must demonstrate compliance with the relevant minimum requirements for the defined engagement.

3.2 Background

The Commonwealth of Massachusetts is a frequent issuer of tax-exempt debt, consistently ranking as one of the top ten issuers of municipal tax-exempt debt annually in terms of dollar volume. The STO is statutorily responsible for the issuance of almost all debt obligations of the Commonwealth, including General Obligation Bonds, Special Obligation Bonds, and Federal Highway Grant Anticipation Notes, as well as the management of the roughly \$19 billion in bonds that are outstanding and are set to mature over the next 30 years. An integral part of its debt management process is the responsibility to manage interest rate risk, which the STO does through the use of interest rate swap agreements as hedges. The STO is responsible for managing the Commonwealth’s portfolio of approximately \$3 billion in interest rate swap agreements, including monitoring counterparty credit ratings, monitoring counterparty collateral posting requirements, and executing regular monthly swap settlements.

The statute authorizing the Commonwealth to enter into interest rate swap agreements, Section 38C of Chapter 29 of the Massachusetts General Laws, was enacted by the Legislature as part of Chapter 655 of the Acts of 1989 and became effective on March 12, 1990. Section 38C authorizes the State Treasurer to enter into a variety of derivative instruments, expressly including interest rate swap agreements, on behalf of the Commonwealth. Any such agreement must relate either to investments of the Commonwealth or to bonds or notes issued by the Commonwealth. The State Treasurer is required by the statute to consult with the Massachusetts Finance Advisory Board prior to entering into any such agreement. All of the Commonwealth’s general obligation and special obligation interest rate swaps that the STO has entered

into have undergone this review process, as certified by the Commonwealth's various bond counsels who have advised on such agreements.

Beginning with the first interest rate swap agreement entered into by the Commonwealth in September, 1990, in connection with the issuance of fiscal recovery bonds (also the first issuance of variable-rate bonds by the Commonwealth), State Treasurers have used interest rate swaps solely for the purpose of creating "synthetic fixed-rate" debt, *i.e.*, issuing variable-rate bonds and simultaneously entering into an interest rate swap agreement under which the Commonwealth pays a fixed rate and receives a floating rate. Because the fixed payments due on the swap essentially represent the Commonwealth's debt service obligations with respect to the bonds in question, the debt service line item in each annual general appropriations act expressly authorizes the State Treasurer to use the amounts appropriated in that line item and in another debt service line item to make payments on swap agreements.

The STO is seeking the services of a financial advisory firm to provide Swap Portfolio Monitoring services to assist the STO in monitoring and managing the Commonwealth's portfolio of interest rate swaps, including valuations of such agreements and compliance with certain terms. As of April 1, 2009, the Commonwealth had entered into 19 interest rate swap agreements with a combined notional of approximately \$3.48 billion. All of these agreements are floating-to-fixed rate swaps in which the Commonwealth pays a fixed rate to a counterparty in exchange for a variable rate of interest. Most of these agreements entail the Commonwealth receiving a variable rate of interest equal to the interest paid to bondholders on the variable rate bonds being hedged (thereby eliminating basis risk), including variable rate demand bonds, Consumer Price Index bonds, and Libor Index bonds. These agreements have created a "synthetic" fixed rate obligation for the Commonwealth below the fixed rate it would have paid had it issued fixed rate bonds.

As an interest rate risk management tool, the STO expects to continue to assess the use of interest rate swap agreements as a component of its debt management practices. To the extent that future swap agreements are entered into by the STO, these agreements will be part of the swap portfolio monitored by the firm selected as Swap Monitor.

3.3 Minimum Requirements

The firm or its personnel must meet the following minimum requirements in order to be given further consideration to be selected as the Swap Monitor:

1. The firm and its personnel must have experience within the last three (3) years of accurately reporting and monitoring valuation of swap portfolios of at least ten (10) interest rate swap agreements;
2. The firm and its personnel must have experience as a Swap Monitor to other states or large issuers with outstanding debt and swap portfolios that are comparable to the Commonwealth's;
3. The firm must have the capacity to provide swap mark-to-market valuations to the STO via a web-based platform; and
4. The firm must have the capacity to automatically alert the STO to any changes to the credit of each swap counterparty.

Firms responding for this engagement must include a sample monthly valuation report and a web link or screen shot of the mark-to-market valuations on a firm's website.

3.4 Additional Requirements

Please describe your firm's ability to meet the requirements listed below:

A. Monitoring Services: The Swap Monitor will provide the following monitoring services to the STO during the specified term of engagement:

i. Maintenance of the Swap Portfolio Database:

The swap monitor will develop and maintain a swap portfolio database for monitoring and reporting purposes. The database should include a summary of the types and terms of all swap agreements, including a list of counterparties and their credit ratings, outstanding notional amounts and payment schedules, average life of each agreement, any collateral requirements and/or thresholds, termination exposure, basis risk exposure, value of one basis point, and remaining term of each swap agreement. The database should also include a summary of the outstanding bonds associated with each agreement and a current accounting and verification of settlements paid and received by the Commonwealth and its counterparties.

In addition, the Swap Monitor will assist the STO in maintaining an accurate record of its swap agreements in the "Swap Manager" page on the STO's Bloomberg terminals.

ii. Monthly Reporting Requirements

The Swap Monitor will be required to submit a monthly report as of the last day of each month on the state of the existing swap portfolio. The report should include a list of counterparties and their current credit ratings, notation of changes in credit ratings or counterparty credit events (such as rating outlook changes, mergers, acquisitions and bankruptcies); aggregation of notional amount and exposure by counterparty by dollar amount and percent; a combined outstanding notional value of the portfolio; and a mark-to-market valuation summary.

The mark-to-market valuations should be calculated for each swap by bond issue and by counterparty, and should include a brief description of the payer and receiver terms of the trade. The report should also contain a basis point stress test sensitivity analysis of +/- 100 bps and +/- 200 bps or whatever other sensitivity is agreed upon by the Swap Monitor and the STO. A general market and derivative market commentary should be included in each monthly report, particularly providing analysis as to how market conditions have affected the mark-to-market valuations of the Commonwealth's swaps. Swap mark-to-market valuations are expected to be calculated independently each month by the Swap Monitor, and should not be calculated in consultation with or based on the mark-to-market valuations of the STO's swap counterparties. The STO currently receives mark-to-market valuations each month directly from each swap counterparty; the monitoring to be provided by the Swap Monitor will be used to confirm those valuations.

Lastly, the firm may be asked to include a summary of swap settlement payments made within the month of the report. The settlement summary section should identify the swap agreement, the settlement period starting and ending dates, the fixed and floating rates and payments made to and received from the counterparty based on those rates, and confirmation of the calculation of settlement payment as set forth in the governing swap documents.

iii. Automatic Alert Requirements

The firm selected as Swap Monitor will be expected to provide email alerts whenever applicable to advise the STO of the following developments:

- a. Changes to the credit rating or rating outlook of any swap counterparty or any major credit event that occurs including, but not limited to, mergers, acquisitions and assignments;
- b. Material changes in mark-to-market valuation levels that would require collateral action on the counterparty's behalf or impact risk exposure; and
- c. Mark-to-market valuations reaching a level at which the Commonwealth could advantageously terminate or restructure existing swaps.

iv. Accounting and Audit Support Services

The firm selected as Swap Monitor will provide the STO services in connection with the Commonwealth's fiscal reporting requirements as they relate to its swap portfolio. This may include, but not be limited to, assistance with the swap-related areas of the Commonwealth's financial statements and fiscal year-end audit, implementation of Governmental Accounting Standards Board Statement Number 53 and its reporting requirements, and other auditing or accounting responsibilities.

v. Training

The firm selected as Swap monitor will provide the STO and its staff training, as necessary, on how the monthly swap mark-to-market valuations are being calculated, interpretation of the terms of the swap agreements for swap settlement purposes, and any other facet of the Swap Portfolio Monitoring that the STO shall require.

vi. Additional Services

From time to time, when necessary, the STO reserves the right to request assistance or additional services from the firm chosen to provide Swap Monitoring Services on any matters relating to the Commonwealth's swap portfolio that arise during the term of engagement. In such instances, the STO shall retain the flexibility to negotiate a fee for the additional services or utilize the hourly fee schedule provided by the swap monitor in their fee proposal.

B. Optional Services: The STO may request that the Swap Monitor provide the following settlement tracking services to the STO during the specified term of the engagement. Costs for this optional service should be identified separately. The STO reserves the right to include or not include these services in the scope of the engagement.

vii. Settlement Tracking

The firm selected as Swap Monitor may be required to maintain a database to track, calculate, verify, and report all fixed and floating swap settlements, including reset rates and day counts according to the terms of the Commonwealth's swap confirmations. The swap monitor will be expected to demonstrate confirmation of the calculations of the counterparty according to the payment advice received, and to report any discrepancies to the STO on a weekly basis so as to correct any erroneous calculations.

The Swap Monitor will, from time to time, be asked to provide a settlement history by trade, counterparty, issuer or all of the above for a specified period of time.

SECTION IV: EVALUATION & SELECTION CRITERIA

An evaluation team will review each proposal received that meets the minimum requirements set forth in **Section 3.3**, pursuant to the criteria specified below. The criteria used to evaluate responsive proposals shall include, but not be limited to, expertise, capacity, experience, resources, fees and personnel. Additional criteria shall also include:

1. Demonstrated experience in providing Swap Monitoring Services to entities with similar debt and swap portfolios, in particular other states and other large municipal issuers of the same credit quality as the Commonwealth, for swaps that are associated with general obligation and special obligation bonds;
2. The firm's general approach, stated resources and plans for meeting the requirements of this RFP;
3. The firm's detailed approach and plans to perform the services required and described in the "**Scope of Services**" section of this RFP;
4. The firm's documented experience in successfully completing contracts of a similar size and scope to those required by this RFP;
5. The qualifications and experience of the firm's management, supervisory or other key personnel assigned to the engagement, with emphasis on documented experience in successfully completing work on contracts of similar size and scope to the services required by this RFP; and
6. The overall ability of the firm to mobilize, undertake and successfully complete the services required by this RFP. This judgment will include, but not be limited to, the following factors: the number and qualifications of management personnel, supervisory and other staff proposed by the firm to perform the services required by the RFP; the availability and commitment to the engagement of the firm's management, supervisory and other staff proposed.

The STO shall select the firm or firms by written notice to the responsible bidder whose proposal, conforming to the RFP, will be the most advantageous to the Commonwealth. The STO reserves the right to engage alternate firms to provide any of the services described above, at any time, at its own discretion.

The STO reserves the right to request revised fee quotes or best and final offers of price from any or all responsive firms based on this **Scope of Services**, or any revised **Scope of Services**, or for other reasons that may be advantageous to the Commonwealth.

SECTION V: GENERAL INFORMATION

I. Background on Firm

- A. Please provide a brief description of your firm. Briefly list the types of products and services your firm provides.
- B. How many full-time employees does your firm currently employ? Of those, please detail how many are engaged in Swap Monitoring Services.
- C. Has your firm's swap advisory or monitoring services business experienced any significant staffing changes over the past 12 months? If so, please describe. Discuss any changes which could have either a positive or negative impact on the overall service provided to the STO.
- D. Please provide the location of your office at which the Swap Portfolio Monitoring will be performed. If this office is not located in Massachusetts, please identify the physical location of other offices that your firm may have in the Commonwealth and include the number of full-time employees that work in Massachusetts. Of the employees located in Massachusetts, in what business or businesses are they currently employed?

II. References

- A. Please provide the name and contact information of three (3) individuals that the STO may contact with regard to Swap Portfolio Monitoring services provided by your firm. These individuals must be the senior person responsible for debt and swap management at their respective public office, agency or authority that is comparable to the STO's responsibilities in the Commonwealth. At least one of the references must be from a state issuer.

III. Personnel

- B. Please provide the name, address, phone number, fax number and email address of the firm's primary contact person for the STO. Please include a summary of his/her relevant experience. Please include his/her resume as an attachment to your response (not subject to the respective page limit) under a tab entitled "**Resumes**".
- C. Please complete **Attachment B** to identify the personnel who will be directly involved in the Swap Portfolio Monitoring for the Commonwealth and their role in the services provided. In addition, please include the resumes of these individuals (not subject to the respective page limit) under a tab entitled "**Resumes**".

IV. Licensing, Disclosure of Legal or Regulatory Investigations, etc.

- A. Please indicate whether or not your firm has any knowledge of any active investigations or criminal proceedings by the Securities and Exchange Commission or any other state or federal agency with regard to the services your firm, or its subsidiaries, provide, including its swap advisory, swap monitoring, swap consulting, or any derivative related practices. If so, please

provide a brief description of such investigation and the name and phone number of a person whom the STO could contact to obtain more information.

B. Please identify any material litigation, administrative proceedings or investigations regarding your firm that is ongoing or has been settled or otherwise concluded during the past two years.

C. Please complete **Attachment C and D**.

V. Costs

A. Please provide a proposed cost to provide the described services on a monthly basis. Please break out any costs associated with **Optional Services** separately from the cost of the **Swap Monitoring** scope. The STO reserves the right to negotiate all components of the Swap Portfolio Monitoring engagement.

VI. Other

A. Please discuss any other factors not mentioned above which you believe should be considered in connection with the consideration of your firm.

VII. Legal Disclosure Certification

A. Please complete **Attachment D**.

Attachment A

The Commonwealth of Massachusetts Summary of Outstanding Derivatives Exposure As of April 1, 2009

Associated Series	Detail	Notional Outstanding	Swap Rates		Effective Date	Termination Date	Counterparty
			Paid	Received			
General Obligation Bonds							
GO Refunding Bonds, 1997 Series B	Floating-to-Fixed Rate Cost of Funds Swap	\$ 162,768,000	4.659%	Cost of Funds	8/12/1997	8/1/2015	Goldman Sachs Matsui Marine Derivative Products Co., LP
GO Refunding Bonds, 1997 Series B	Floating-to-Fixed Rate Cost of Funds Swap	108,512,000	4.659%	Cost of Funds	8/12/1997	8/1/2015	Ambac Financial Services, LP
GO Refunding Bonds, 1998 Series A	Floating-to-Fixed Rate Cost of Funds Swap	295,986,000	4.174%	Cost of Funds	9/17/1998	9/1/2016	Deutsche Bank AG, NY
GO Refunding Bonds, 1998 Series B	Floating-to-Fixed Rate Cost of Funds Swap	197,324,000	4.174%	Cost of Funds	9/17/1998	9/1/2016	Citi SwapCo, Inc.
GO Refunding Bonds, 1998 Series B	Floating-to-Fixed Rate Cost of Funds Swap	496,225,000	4.150%	Cost of Funds	2/20/2001	1/1/2021	Morgan Stanley Derivative Products Inc.
GO Refunding Bonds, 2001 Series B	Floating-to-Fixed Rate CPI-Based Swap	87,455,000	4.500%	CPI-Based	3/12/2003	3/1/2014	Goldman Sachs Matsui Marine Derivative Products Co., LP
GO Refunding Bonds, 2001 Series C	Floating-to-Fixed Rate CPI-Based Swap	10,000,000	4.500%	CPI-Based	3/12/2003	3/1/2013	Deutsche Bank AG, NY
GO Refunding Bonds, 2003 Series B	Floating-to-Fixed Rate SIFMA Swap	540,725,000	2.925% - 4.000%	SIFMA	3/29/2005	2/1/2028	Citi
GO Refunding Bonds, 2005 Series A	Floating-to-Fixed Rate CPI-Based Swap	100,000,000	3.730% - 3.850%	CPI-Based	11/29/2006	11/1/2020	Citi
Consolidated Loan of 2007, Series A	Floating-to-Fixed Rate LIBOR-Based Swap	400,000,000	4.420%	LIBOR-Based	5/30/2007	5/1/2037	Barclay's Bank, PLC
GO Refunding Bonds, 2007 Series A	Floating-to-Fixed Rate LIBOR-Based Swap	31,665,000	3.963%	LIBOR-Based	5/30/2007	11/2/2025	Deutsche Bank AG, NY
GO Refunding Bonds, 2007 Series A	Floating-to-Fixed Rate LIBOR-Based Swap	41,413,000	4.083%	LIBOR-Based	5/30/2007	11/2/2025	Bank of New York Mellon
Consolidated Loan of 2007, Series D-1	Floating-to-Fixed Rate SIFMA Swap	109,125,000	3.942%	SIFMA	8/16/2007	8/1/2018	Merrill Lynch Capital Services, Inc.
Consolidated Loan of 2007, Series D-2	Floating-to-Fixed Rate SIFMA Swap	54,525,000	3.942%	SIFMA	8/16/2007	8/1/2018	Bear Stearns Financial Products
Rt 3 North Series 2002B	Floating-to-Fixed Rate Swap	\$ 294,000,000			5/9/2002	6/15/2033	Citibank Financial Products, Inc.
Subtotal		\$ 3,302,440,000					
Special Obligation Bonds							
Series 2004	Floating-to-Fixed Rate CPI-Based Swap	\$ 28,863,000	4.450% - 5.250%	CPI-Based	6/29/2004	1/1/2018	Goldman Sachs Capital Markets, LP
Series 2004	Floating-to-Fixed Rate CPI-Based Swap	28,863,000	4.450% - 5.250%	CPI-Based	6/29/2004	1/1/2018	J.P. Morgan Chase Bank
Series 2004	Floating-to-Fixed Rate CPI-Based Swap	28,863,000	4.450% - 5.250%	CPI-Based	6/29/2004	1/1/2018	Bear Stearns Capital Markets Inc.
Series 2005A	Floating-to-Fixed Rate CPI-Based Swap	96,490,000	4.771% - 5.060%	CPI-Based	6/12/2005	6/1/2022	Merrill Lynch Capital Services, Inc.
Subtotal		\$ 183,079,000					
TOTAL		\$ 3,485,519,000					

Attachment B

Contacts at the Firm

Primary Contact with State Treasurer's Office

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Contact to receive all RFP related correspondence:

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Chief Executive Officer (or comparable position)

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Head of Public Finance Department (or comparable position)

Name:

Title:

Address:

City/State/Zip:

Phone:

Email Address:

Attachment C

DISCLOSURE

1. Describe your firm's organizational structure (e.g. partnership, corporation, etc.) and list any controlling stockholders, general partners, or principals. Also list any subsidiaries, joint ventures, consultants, lobbyists, sub-contractors or agents that have relationships with your firm and relate in any way to your proposed business with the Commonwealth of Massachusetts.
2. Describe any services currently provided by your firm to the State Treasurer's Office, the Executive Office for Administration and Finance or any trust, board, commission or authority on which the Treasurer and Receiver-General or the Secretary for Administration and Finance is a member or trustee.
3. Please describe your firm's compliance with MSRB G-37. Has your firm or any person or entity associated with your firm (and covered by Municipal Securities Rulemaking Board Rule G-37) made any contributions during the past three years, directly or indirectly, to an official of the Commonwealth of Massachusetts? If the answer is "yes", please provide the name and contact information of such individual or entity.
4. Did your firm or will your firm, its related entities or any individual listed in response to question 1. above, provide, agree to provide, or arrange to provide any compensation or benefit, direct or indirect, to any individual or entity, including without limitation, lobbyists, consultants or agents, whether related or unrelated to your firm, for their services in your firm's obtaining its engagement for the provision of services to the Treasurer and Receiver-General or the Secretary for Administration or any trust, board, commission or authority on which either principal is a member or trustee? If the answer is "yes", please provide the name and contact information of such individual or entity and a description of the services performed by them and the compensation or benefit.
5. Has your firm, its related entities or any individual listed in response to question 1. above, agreed to share any fees with any person or entity, whether related or unrelated, with respect to your firm's proposed engagement with Commonwealth of Massachusetts or to either the Treasurer and Receiver-General or the Secretary for Administration and Finance or any trust, board, commission or authority on which either principal is a member or trustee? Please describe such arrangements, and whether or not any fees have actually been shared.
6. Does your firm, its related entities or any individual listed in response to question 1. above, have any ongoing arrangement with any unrelated individual or entity with respect to sharing of fees that would be received from services provided to the Commonwealth of Massachusetts or to either the Treasurer and Receiver-General or the Secretary for Administration and Finance or any trust board, commission or authority on which either principal is a member or trustee? Please describe such arrangements.

7. Does your firm have any arrangements, agreements or relationships similar to those listed in questions 1-6 above for business related to any other issuer of tax-exempt bonds or notes within the Commonwealth? If so, please describe.

Please note that this disclosure statement should be read broadly and any perceived ambiguity should either be resolved in favor of disclosing the information, or be raised with the STO for resolution. This disclosure request serves as notice to your firm, and all other financial service firms doing business with the STO, that all future relationships like those described in this questionnaire be disclosed in writing to the STO at such time such agreement is entered into.

This request for disclosure should be completed in the format as provided herein and must be signed according to **Attachment D**. All responses will be deemed representations of the firm providing this disclosure. Staff of the STO may request additional information, including copies of any relevant contracts or agreements described herein. Persons or organizations described in any of the responses provided may be requested by the Commonwealth to provide information with respect to any arrangements described herein and may be requested to provide a separate disclosure statement. The STO reserves the right to change the form of this disclosure statement.

Attachment D

**(INSERT NAME OF FIRM)
LEGAL DISCLOSURE CERTIFICATION**

I, (Person's name), (Principal or Position), certify as follows:

I am a (Title) of (NAME OF FIRM) (the "firm") and am authorized to execute this Certification on its behalf.

The firm is interested in providing Swap Portfolio Monitoring services to the Commonwealth of Massachusetts and has submitted a response to the RFP for Swap Portfolio Monitoring to the State Treasurer's Office in order to be considered to be qualified to provide such service.

In the Statement of Qualifications, the firm has responded to questions regarding Disclosure (**Attachment C**), as specified, in connection with providing such services to the STO and the Commonwealth of Massachusetts.

The firm agrees to provide quarterly updates no later than 30 days after March 31st, June 30th, September 30th and December 31st to the State Treasurer's Office regarding changes to the information submitted in **Attachment C**, including information about legal proceedings originating after submission of the Statement of Qualifications. I understand that failure to submit the mandatory quarterly update may be cause for termination of the engagement.

I certify that I have reviewed the requirements for updating the State Treasurer's Office regarding legal proceedings as outlined in the Request for Statement of Qualifications, and I agree, on behalf of the firm, to fulfill the requirements outlined therein.

(FIRM'S NAME)

(Person's name)

DATE:

(Title)
